

Service Date: May 23, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of)	
MONTANA-DAKOTA UTILITIES)	UTILITY DIVISION
COMPANY a Division of MDU Resources)	
Group Inc., for Authority to Implement the)	DOCKET NO. D97.3.56
Gas Cost Tracking Procedure to Establish)	
Increased Rates for Gas Service)	INTERIM ORDER NO. 5974a

INTERIM ORDER

FINDINGS OF FACT

1. On March 31, 1997, Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) its biannual application to implement the Gas Cost Tracker Procedure as set forth in MDU tariff sheets 87 and 88. The filing was given Docket No. D97.3.56. The Company requested the Commission issue a Final Order allowing the adjustment to be implemented effective May 1, 1997.

2. The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Tracking Adjustment amortized over a projected sales period. In its application, MDU discusses the various WBIP filings before the Federal Energy Regulatory Commission (FERC) that have occurred since the PSC last authorized a gas cost tracking adjustment for MDU.

3. MDU, in its application, provides direct purchase gas contract pricing changes that have occurred since the Commission last authorized a gas cost tracking adjustment. Exhibits in the filing summarize the price changes and indicate that these cost have increased. A complete and full examination of these costs is currently being processed. Due to the magnitude of this rate change the Commission has examined these costs to assure the figures appear to be in the range of reasonableness before approving this interim rate change. Interim rates are always

subject to rebate if the temporary rates are not approved on a final basis. The Commission finds it is in the public interest to approve significant rate changes as MDU has applied for only after examination. Therefore, the Commission examined this application against several criteria before approving the requested increases. The majority of executed natural gas contracts under which MDU purchases gas are tied to the CIG index i.e. an increase in the index increases the cost of purchased gas to MDU. A review of the Colorado Interstate Gas Co., (CIG Index) indicates that the cost of natural gas increased from October of 1996 \$1.25/dk to January 1997 \$4.18/dk. The Commission will critically examine this 234% increase and its impact on consumers. The agency and any interveners will be reviewing this significant increase in the context of the final rate determination.

4. It must be noted that concurrent with this proceeding the Commission is considering other MDU proposals which may serve to moderate price swings for consumers by revising gas tracking cost periods. The effect of this rate change, even if approved permanently, may be relatively brief as spot market gas costs have fallen significantly and all reductions will be passed on to customers in the next tracking docket scheduled to be filed by MDU in November.

5. Including the amortization of the Unreflected Gas Cost Account, the net effect of FERC authorized WBIP rate changes and the effects of third party supply contract negotiations, the filing supports an increase of \$1.329/dk for residential and general service customers and an increase of \$.259/dk for large interruptible customers. These changes would result in approximately \$3,122,000 increase in revenues over the rate effective period. The proposed increases are calculated in the following table:

	Residential and Commercial	Industrial Customers
Prior Cumulative Gas Cost Adjust.	(\$0.623)	(\$0.275)
Current Gas Cost Adjustment	<u>\$0.454</u>	<u>\$0.259</u>
Cumulative Gas Cost Adjustment	(\$0.169)	(\$0.016)
Special Unreflected Adjustment	\$0.000	\$0.000
Current Unreflected Adjustment	<u>\$0.355</u>	<u>\$0.000</u>
Total Tracking Adjustment	\$0.186	(\$0.016)

Less: Total Tracking Adjustment-		
Current	(\$1.143)	(\$0.275)
Net Increase (Decrease) in Current Rates	<u>\$1.329</u>	<u>\$0.259</u>

6. In granting this interim approval, the Commission stresses that the calculations and methodologies approved in this Interim Order will be closely scrutinized and, depending on the record in this proceeding, may be modified or disallowed in the Final Order.

7. MDU requests that this filing be accepted as being in full compliance with the filing requirements of the Commission. The Commission finds MDU's application to be a complete filing for interim purposes and defers its decision until the Final Order in this proceeding concerning MDU's request for a blanket waiver of the Commission's rules and regulations, etc.

8. The issuance of the Interim Order should in no way be interpreted to mean that any issue in this case has been decided before all the evidence has been presented and heard during the course of the proceedings.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, provides natural gas service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, that the Commission may, in its discretion, temporarily approve rate changes pending a hearing or final decision.

4. The rate levels and spread approved herein are a reasonable means of providing interim relief to MDU. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue changes authorized by this Interim Order are found to be unjustified in the Final Order in this Docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant, Montana-Dakota Utilities Company, is hereby granted authority to implement increased rates as provided herein, effective May 20, 1997.

2. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

3. The Commission accepts, for interim purposes, MDU's request that this is a complete filing and is in full compliance with the filing requirements of the Commission, and the Commission reserves final ruling on this request until a Final Order is issued.

DONE IN OPEN SESSION at Helena, Montana, this 20th day of May, 1997, by a vote of 4 to 1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCAFFREE, Vice Chair
Voting to Dissent

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.